



Ethical culture: Changing the story – reasons to believe

CII guidance series on ethical culture

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This short briefing is designed as part of the CII's ethical guidance series and is meant to support the thinking of individuals and their firms and nothing in the guidance should be used to achieve compliance with any statutory and or regulatory obligations. This document can be counted towards CPD development and there are reflective questions included to help this process. The CII is grateful to Judith Cork for developing this paper.

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CPD Reflective Questions

Reading this guidance can count towards Structured CPD under the CII CPD Scheme, if you consider any of the Learning Objectives to be relevant to your professional development needs.

The Reflective Questions set throughout this paper are designed to help you reflect on the issues raised in the article. Please note that the answers to the questions are not required for CPD record purposes.



The popularity of Milton Friedman's neo-liberal approach to business, with only one social responsibility, that of increasing profits, is increasingly being challenged by many and beginning to wane, judged by some as out of line with the demands of the public. "Doing business the right way" was the title of a forum discussion at the 2014 World Economic Forum with a call for more CEO engagement and a need to measure success through the value created for all stakeholders. As the financial services sector focuses on employee compensation structures as its initial response to the demand for more ethical behaviours, this paper presents an argument that this is not enough to change the story.

It presents a model for looking at strategic culture change, the cultural web, and argues that three key elements of the model, the routines and rituals, symbols and stories are what actually make stakeholders **live and believe** the propounded vision and values of an organisation.

By reviewing four companies in the insurance sector attaining the World's Most Ethical (WME) Company award (as developed by the US Thinktank Ethisphere) and presenting a case study of a UK utility also attaining the award, this paper demonstrates that organisations can be both profoundly ethical and have solid financial performance. Indeed it is their ethical cultures which provide them with competitive advantage and sector leadership.

The key to all these companies is that they bring life to the elements of the framework presented in the earlier CII paper, "*Ethical Culture: Building a Culture of Integrity*" making them meaningful and believable to stakeholders.

- **Living and believing** is presented through examples of these WME companies focusing on the three less tangible elements of the cultural web, particularly the symbols and stories which provide true insight into what is accepted as the norm or exceptional.
- **Tempo-from-the-top** replaces "tone from the top" as these organisations need more dynamism, higher visibility and support from the Executive than the existing term suggests. The CEO and top team are the powerful change agents and are key symbols in generating **belief** in the organisational values. The organisations have to be firing on all cylinders to maintain their competitive positions and need tempo and dynamism to drive "momentum from the middle," generating a constant purposeful, pulsating performance rhythm throughout the organisation.

- **How we do things around here** is very apparent with each organisation having a visible and vocal "way" of doing things. Importantly this includes alignment of recruitment and promotion processes with training and support for ethical behaviours. There are ethical decision-making frameworks and clear expectations of challenge if potential decisions are misaligned with values, further supported by speaking-out policies and disciplinary action. "The way" is constantly reinforced providing a common symbol and language encouraging employees to speak-out with confidence if values are being breached.
- **People performance** is essential to the WME companies with strong emphasis on diversity and inclusion, particularly the need for diversity of ideas to maintain their competitive positions and to attract the top talent. There are programmes for employee recognition and celebration of great performance which are part of the internal routines and rituals, underpinning the **living and believing** elements.
- **Benchmarking**, measurement and the importance of external recognition are very apparent, driving the organisations forward to maintain their competitive positions. These awards are powerful symbols of the success of the organisations generating internal and external stories, supporting the **living and believing** elements of company culture and creating high levels of internal motivation.
- **Innovation and creativity** are also vital components of these organisations. The best ways in maintaining benchmarking positions are through continuous improvement and creativity. This is interlinked with the need for diversity of thought, openness and flexibility of culture and rewards and recognition for good ideas, reinforcing the cultural web.
- **Stakeholders and corporate citizenship** are elements which are clearly reinforced internally showing accepted responsibility to a wider community. These aspects are not just nice things to do. Most of the initiatives are readily aligned with organisational interests building reputation and loyalty over time. They generate the right kind of stories and the more genuine and committed the activities are, the more believable, the more trustworthy, the company becomes. Having a stock of trust and **belief** is a way of accounting for, and setting provisioning for, any future dips in performance.

The continuous flow of bad stories in the media over recent years about financial services is reinforcing a national mind-set of negativity and distrust which is proving difficult to shift. The Milton Friedman's approach to business propounding "one and only one social responsibility of business, to use its resources and engage in activities designed to increase its profits so long as it stays within the rules of the game", is losing favour with politicians, regulators, investors and the public who are demanding more ethical behaviours.

The "rules of the game" are now changing and, given time, more positive stories will emerge. "Doing business the right way" was the title of a forum discussion at the 2014 World Economic Forum. A PWC representative on the panel revealed that trust and confidence in business generally were at a long-term low when he summarised a recent study conducted with 1300 CEOs around the world. The topic concluded with a call for more CEO engagement and a need to measure success through the value created for **all** stakeholders.

These high level views demonstrate that many organisations are moving away from the Friedman approach and even within financial services moves are afoot. In July 2014 the Thinktank ResPublica published its "Virtuous Banking" report with a key emphasis on the "purpose" of banking (suggested as ensuring systematic prudential security, working for the prosperity of customers and promoting the responsible creation of value). Businesses, therefore, need to address a key question; do they see responsible value creation as the purpose of their business? And if so, what risks do they face and what changes do they need to make to achieve this new purpose?

Within the insurance sector many may decide on minimal change, intent only on risk mitigation rather than opportunity maximisation, when considering their response to responsible and ethical business practices. However, this approach will not change the story and the FCA is now looking for real evidence of market integrity, ethical culture and conduct.

In the 2013 Deloitte research report into the "Culture of Banking," 76% of bankers surveyed believed that compensation levels were a significant cause of cultural problems within the industry. Employee performance metrics and compensation structures came top of the respondents' list as the key levers for cultural change within the banking industry. This, along with the belief that their internal cultures could be changed in a couple of years, suggests that compensation structure is seen as the quick and cheaper fix. This belief may extend to the insurance sector.

It is a worrying belief because a commitment to changing the story will require much more. Leading for competitive advantage, or even championing the industry, through sound and thorough ethical business practices and behaviours needs to be the industry imperative. This paper looks at whether a robust business case can convince the Friedman followers to change camps. It introduces ethical decision making theory as context, presents a cultural model as a framework for organisational change and reviews the best practice ethical companies to present a living, believable and compelling story of how ethical culture can transform the sector and its story.

4 Introduction to ethical theory

The following two ethical decision making theories are presented as potential causes of some of the dilemmas and problems facing financial services. The first is consequentialist (outcomes) theory, or teleological taken from the Greek word for goal/task. If the outcome of a decision is desirable then the action(s) leading up to it are morally right. Basically if the task gets done or the goal is achieved how it was actually actioned is less important. A good example of this might be the mis-selling of Payment Protection Insurance (PPI) where the goal was to sell a high margin product regardless of whether it was appropriate to customers.

On the opposite side is non-consequentialist theory or deontological taken from the Greek word for duty, where the decisions on how something is actioned is more important

than the final outcome. This is possibly nearer the approach that the FCA is now suggesting. The stakeholder concept of the firm is based on this thinking and is possibly where the current emphasis on responsible business lies.

While there are other ethical frameworks that can be considered such as feminist ethics or the ethics of care, in order to convince the Friedman fraternity of the need for wider business responsibility there has to be a clearer alignment and connection between the actual business outcome (profits, shareholder return etc.) and **how** the business conducts itself (internal behaviours, wider stakeholder fair treatment). The focus on “how” an organisation conducts itself leads naturally to culture.

An approach to culture through the cultural web

A simple definition of organisational culture is “how we do things round here”, it tends to be a difficult concept to summarise because it encompasses the “taken-for-granted” conduct or tacit acceptance of behaviours and practices.

One cultural model to illustrate this complexity is Johnson and Scholes “cultural web”. This is a conceptual tool to help understand the internal beliefs and assumptions that impact or constrain strategic change. At the heart of the web is the mindset or paradigm. Changing this, to centre on value creation for stakeholders, for example, involves consideration of an intricate network of connected factors, some easier to change than others. Not surprisingly it is the “easier” factors that tend to be addressed first looking for the all elusive quick fix of cultural change.

Control systems: this is probably one of the “easier” and more visible factors to change including the performance metrics and compensation structures mentioned in the bankers’ research earlier. If there are aspects of poor performance it is usually the existing controls which are tightened as the first step and it is undoubtedly a powerful factor because “what gets measured gets done.” However, this single minded solution to change may prevent necessary re-thinking about what is really happening, i.e. what Johnson and Scholes call “strategic drift” where the company (or the whole sector) is out of line with its environment. It is likely that strategic drift is occurring in many financial services organisations today.

Power structures: this aspect reflects the more powerful managerial groupings in an organisation which are likely to be linked to the organisation’s core assumptions and beliefs. This might be the dominance of Risk and Compliance, for example, or a strategic stakeholder such as the capital provider for an MGA which may prevent or block change in certain directions.

Routines and rituals: these aspects reflect the way people relate to each other about how things should happen in an organisation. The training programmes emphasising money laundering awareness, TCF compliance, customer service training, the annual appraisal or performance reviews, for example, all point to what is seen as the norm, what is important internally and how things are done.

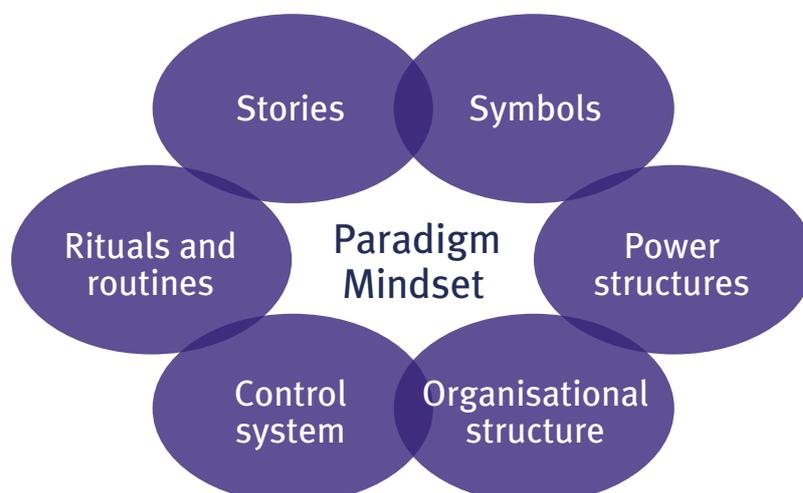
Symbols: these are the aspects which provide a short-hand to how the company operates. For example whether the workspace is open-plan or divided into offices for managers, whether those offices have job titles or actual names of the occupiers on the door, the actual job titles, cars, logos, email address formatting, the language used to refer to employees “colleagues”, “partners”, etc. all provide an indication of the formality or status of key groups and underpin the overall mindset.

Stories: these are the remaining component of the cultural web reflecting insights into the core beliefs and assumptions within the organisation. They flag up important events and personalities including the heroes, villains and mavericks. They may include stories of the sales agent who sold policies to family and friends to achieve targets. They provide an informal but very important indication of what really goes on and what is seen as newsworthy or worth repeating. For example, if the story about the customer service adviser sending a bunch of flowers as an apology to a customer is received with amazement it suggests that this is not the norm, but an exception.

Reflective Questions:

- Is your organisation structured to promote openness, flexibility and free thinking which may aid strategic change?
- Can you identify the power base which may inhibit or promote ethical change?
- Do your control systems and benefit packages support ethical decision making, challenge and behaviours?
- Are there rituals and routines which underpin ethical behaviours?
- Do your organisation’s language and symbols support ethical behaviours and decision making?
- Do your organisational stories support ethical behaviours and decision making? Who are the heroes and villains in your organisations and what does this say about your culture?

Figure 1: Cultural Web



Learning from the leaders in ethical business

The Ethisphere Institute

This American Thinktank defines itself as the “the global leader in defining and advancing the standards of ethical business practices that fuel corporate character, marketplace trust and business success”. It measures and defines core ethics standards using data-driven insights. It designates each year the World’s Most Ethical (WME) companies. The award is important because it recognises the companies that go beyond making statements about doing business “ethically” and translate those words into action.



not only promote ethical business standards and practices internally, they exceed legal compliance minimums and shape future industry standards by introducing best practices today.

The WME honourees

The criteria and weighting defining the WME companies’ awards are summarised below:

- Ethics and compliance programme 25%
- Reputation leadership and innovation 20%
- Governance 10%
- Corporate citizenship and responsibility 25%
- Culture of ethics 20%

The websites of four companies in the insurance sector obtaining the 2014 WME honour have been reviewed (none have UK HQs). These are the health insurer American Family Life Assurance (AFLAC), the general insurer The Hartford Group (THG), the insurance intermediary Arthur J Gallagher (AJG) and the reinsurer Swiss Re (SR). The key to all these companies is that they bring life to the elements of the framework presented in an earlier CII paper “*Ethical Culture: Building a Culture of Integrity*” (see Appendix A) making them meaningful and believable to stakeholders. This section presents aspects of their cultural stories to illustrate the importance of **living and believing**. In addition, Appendix B tells the story of one of these UK honourees, Northumbria Water Ltd.

Living and believing

What perhaps is most significant about these companies in the context of this paper is that they lead the way in terms of ethical business practice, stakeholder value creation and have very successful financial performance. These two positions are reconciled and not at odds.

Company	Living and believing: financial performance
AFLAC	Assets end 2012 \$118 bn. Revenues \$25.4 bn with 25 years of revenue growth. Primary financial target “operating earnings” with 24 consecutive years in which they met or exceeded it. 31st year in which they increased annual dividend to shareholders.
THG	2013 Total revenues \$26.2 bn. Core earnings increase by 26% to \$1.7 bn. Net income \$176 m.
AJG	2013 revenues \$3,180 m revenue growth 26%. Net earnings \$269 m net earnings growth 38%. Total shareholder return 40% in 2013 including dividends.
SR	Net income £4,444 m. ROE 13.7%.

AFLAC:

1st publicly traded company in the US to provide their shareholders with a vote on executive pay called “say-on-pay.”



Embraces transparency, e.g. by posting political donations on its website.

AFLAC



Strategy for shareholders is value creation, driving profitable growth, reducing annuity exposure and continuing to transform to create greater strength and flexibility.

THG



committed to being a responsible company, contributing to sustainable, long-term value creation.

SR: Report to investors

Learning from the leaders in ethical business continued

They also seem to have reconciled the two ethical theories of great outcomes achieved through the “right” behaviours with sustainable business performance a key driver. In fact it can be argued that their financial performance is because of their ethical values rather than despite them. They see business ethics as key to risk mitigation.

SR:

Centre for Global Dialogue, reputational risk drivers were discussed. It was the consensus at the conference that it is corporate culture that ultimately holds the key. If reinsurers have genuine ethical values, these will be reflected in the decision making, thus shoring up reputation.

The organisations clearly recognise that it is the **living and believing** aspect of their values that provide them with competitive advantage. There is nothing wishy-washy about these companies; theirs is a language and expectation of business performance with a clear connection with who drives that performance, employees and customers. There has to be a continuous drive for improvement to maintain the advantage. **Living and believing** the corporate statement of values is what makes the critical difference to these companies and these aspects are evidenced and achieved overtime through the routines and rituals, the symbols and the stories. These are the factors which win hearts and minds so that everyone can engage creating overtime “true believers”.

Tempo from the top

The current business terminology for high level support is “tone from the top”. In these WME companies this is too serene and passive a term, something more energetic and dynamic is required which this paper is calling “tempo from the top”. These companies have to be firing on all cylinders and need an ongoing turbo injection to generate “momentum from the middle”. The **living and believing** has to start with the most powerful symbol of all, the behaviour of the change agents within an organisation. The CEOs have a long-term focus with a strong stewardship ethos and have to generate a constant purposeful, performance rhythm throughout the organisation. This is vital because these organisations cannot afford to allow any aspect or area to slip.

Reflective questions for the top team/leaders

- Is your organisation an opportunity maximiser or industry champion in relation to responsible and ethical business?
- As a powerful change agent what stories do you tell, or what are told about you, to make your vision and values meaningful and believable to your team?
- Is there a tempo from the top driving ethical and responsible business on all fronts?
- Do you have routines and rituals which embed ethical training, ethical decision making, openness and confident challenge across the organisation?
- Are your people celebrated and rewarded for actions and initiatives which support ethical decision making, challenge and stakeholder focus?
- Do you have stretching measurements against the best in your sector and other industries?
- Do you encourage creativity, innovation and free-thinking to improve the world for stakeholders?
- Do you have symbols and stories which provide evidence of value creation for stakeholders?



He continually reminds us of the importance of accuracy, accountability, truthfulness and immediacy. ”

AFLAC: About the CEO

AJG:

The VP Corporate Ethics and Sustainability visits c100 offices each year to hold small group meetings with employees to discuss the shared values and to listen with feedback sent directly to the senior management team.

Learning from the leaders in ethical business continued

Company	Living and believing: tempo from the top
AFLAC	About the CEO: He's a huge believer in transparency. Problems must be put on the table and dealt with quickly. There are no prizes for "hiding the facts". His words are "bad news does not get better with age." CEO: "If you take care of employees they will take care of the business".
THG	CEO: "Our employees created the vision, ground-up, it resonated with our partners. We do the right thing, customers trust us to keep our promise to take care of them."
AJG	CEO: "Our model is a commitment to doing the right thing. We're committed to recommending what is in the client's best interests – not our organisations – and delivering on our promises".
SR	The leadership climate is founded on fairness, openness and trust. There is an inclusive leadership framework: setting out principles on how leaders and managers are expected to behave, embedding in leadership imperatives with guidance on assessing performance, behavioural objectives and leadership development.

How things are done around here

There is a very clear sense of "how things are done around here." All four companies have a very vocal and visible way of doing things their way, which are continuously reinforced in day-to-day life providing a common terminology and language in how to challenge unethical decisions which are outside their norm. They unashamedly talk about ethics, ethical behaviours, doing the right thing, responsibility and corporate citizenship and there is a clear pride in this.

This reinforcement of ethical standards ensures that ethical practice and ethical decision making is part of the language and routines. Employees have regular training on ethical conduct backed up by internal documents which explain explicitly what is expected, how this translates into specific behaviours with examples of ethical decision making stories. This has become part of organisational routine and rituals.

AJG:

If an employee is in doubt about whether something is ethical then the internal guide spells out what is expected through key questions such as "what does my gut tell me is the right thing to do?" If the employee is still unsure after these questions then they can stop and ask for help from the Ethics and Compliance Hotline.

The comprehensive training in ethical behaviours is further supported by speaking out policies and ethics phone lines with anonymity, confidentiality and "no retaliation" reinforced, encouraging employees to believe that speaking out about unethical behaviours is expected.

“

It means something to do things the AFLAC way. We treat customers like family. ”

AFLAC

“

will it help build trust in you and the Hartford? ”

THG

“

The best neighbour we can be. ”

THG

“

The Gallagher Way is on the wall of every office and the values are regularly reinforced. ”

AJG

Learning from the leaders in ethical business continued

Company	Living and believing: how we do things round here
AFLAC	The AFLAC way: A leather bound copy of the “AFLAC way” is provided to every employee. It uses simple language stressing value of team work, respect, fairness, honesty, integrity, ethics and responsibility. It highlights and details the type of ethical behaviours expected.
THG	The Hartford Difference: Employees helped to craft the vision statement. “An exceptional company celebrated for financial performance, character and customer value.” The values and behaviours are to deliver outcomes, operate as a team player, build strong partnerships, and strive for excellence. “Always sustaining trust.”
AJG	The Gallagher Way: 25 values drafted by the CEO in 1984. CEO: “Shared values are the rock foundation of our company and our culture, concepts that the vast majority of the movers and shakers in the organisation passionately adhere to”. “Unyielding integrity.”
SR	Doing business the Swiss Re way: An open risk culture with risk transparency, knowledge sharing and responsiveness to change.

People performance

All companies have a strong performance culture.



we are responsible for delivering a comprehensive HR and organisational strategy to address key margin improvement initiatives and to drive the development of a robust, performance based culture. ”

AJG: Chief HR officer

SR:

has recently introduced a newly designed “leadership imperative” which includes behavioural role models for the next generation, designed to create an environment that inspires and engages others. It is linked to “variable award outcomes” to reflect achievement and contribution and to reinforce the pay-for-performance linkage.

The WME companies all have comprehensive rewards packages and additional benefits with health and well-being central. There is open communication and regular celebrations of success, with these routines and rituals, symbols and stories becoming firmly entrenched in the culture, to show how much employees are valued, reinforcing the **believing** element. There is a strong emphasis within all the companies on diversity and inclusion.



We want the Hartford to become a magnet for diverse talent where people succeed because of their differences, not in spite of them. ”

THG

At Swiss Re diversity and inclusion are openly supported by the CEO and Executive Committee and nurtured. It is referred to as “diversity of thought, living it as the core of our values”. Diversity and inclusion are seen as a competitive advantage.

SR

Shares its “Including You” initiative on best practice stories about diversity and inclusion both within and outside the organisation.



Diverse viewpoints don’t just turn heads, they turn profits. ”

SR



employees help create the story, help spread the story. ”

AFLAC

Company	Living and believing: people performance
AFLAC	<p>The selection of new recruits and promotions includes identifying how candidates have interacted with others, whether they have shown integrity and upheld AFLAC's ethical standards.</p> <p>Appreciation events, service awards, rewards for tenure and superior performance.</p> <p>Annual appreciation week.</p> <p>Talk-the-talk with leadership.</p> <p>Agents are provided with training and tools with a New Associates Sales School.</p>
THG	<p>There is a Code of Ethics and Business Conduct for the Board of Directors and ethics and compliance scorecards for Executives</p> <p>Comprehensive education programme for employees stressing the highest levels of ethical behaviour including potential conflicts of interest, market place conduct and ethical decision making.</p> <p>They focus on attracting the top talent and engage with diverse suppliers.</p> <p>Internal research shows that employees embrace ethics as the heart of the culture.</p>
AJG	<p>Every employee reviews and commits to a Code of Conduct and Ethics.</p> <p>Employees are encouraged to share concerns about lapses of ethical conduct with their manager or the anonymous hotline.</p> <p>Health and wellness, free counselling, points based activities to engage employees and their families in their health with on-line resources.</p>
SR	<p>Continuous contribution awards.</p> <p>Alumni network of ex Swiss Re employees as potential re-hires.</p> <p>"Own the way you work", living team spirit: a culture change initiative that gives employees more autonomy to decide and empowerment as important elements to motivate high-performing teams.</p> <p>Swiss Re Academy: 750 training courses. Average learning hours per employee 15 hours.</p> <p>Academy also trains clients and partners.</p> <p>Virtual career centre.</p> <p>Employee engagement surveys.</p>

Benchmarking

All the organisations are focused on measurement and are active in external benchmarking, not only against the sector peer group but also worldwide across industries. This is important because it builds reputation and, once a ranking is achieved, it creates a natural, internal motivation to better that ranking and position. It becomes self-perpetuating. The only way to maintain the ranking is to be actively innovative and creative to improve standards. This means pushing up standards internally which in turn pushes up standards across the sector. Having an open and challenging culture with emphasis on diversity and diversity of ideas are key factors to innovation and creativity in these organisations. The awards and benchmarking successes provide a rich bank of positive stories which then become embedded in the culture reinforcing values and behaviours.

AFLAC:

The only insurance company to appear for 16 consecutive years in FORTUNE's list of 100 Best Companies to work.
Eight consecutive years in Ethisphere's Most Ethical Company list.

AJG:

Chief Executive Magazine named Gallagher one of the Best Companies for Leaders.

Innovation

These companies maintain their high standards and competitive advantage through continuous improvement. They all have schemes to promote creativity, openness, discussion, sharing ideas with partners and listening to stakeholders. The Hartford Group's emphasis on generating a "net promoter" score (people who will tell their friends) by developing, patenting and implementing an industry leading method for tracking and improving customer loyalty through the claims service is worthy of note, especially in the light of the FCA's recent review of claims management where "one of the biggest differentiators was the extent to which they [insurers] appeared to be challenging themselves to improve their claims performance."

“

What can we do to think ahead for our customers? ”

“

We believe we're good at what we do, but need to figure out how to get better at what we do. ”



Open Minds forum, a dialogue platform to exchange views on risk and future risk.

SR:

Swiss Re's Centre for Global Dialogue also shows that through wider thinking and sharing these organisations are thought leaders influencing the sector and other industries.

Company	Living and believing: innovation, creativity and continuous improvement
AFLAC	Quality circle awards. Bright ideas programme.
THG	“Forward thinking for competitive advantage including innovation in the mature market, e.g. working with MIT's AgeLab taking cutting edge research and translating it into people's lives today such as free home and driving safety publications and smart phone applications to assess how you drive. “How would I want my parent's claim settled?”
AJG	Communication to shareholders: “Our team is client-focused, aggressive and competitive, creativity is our hallmark. Culture is seen as a “competitive advantage”.
SR	Centre for Global Dialogue: a forum for exchanging ideas and insights through strategic partners, members in international organisations, e.g. work with the World Economic Forum to look at risk identification and mitigation.

Stakeholders

These WME companies have a strong commitment to all their stakeholders and demonstrate their values through their relationships with partners and communities, impact on the environment, etc. They are key influencers on the supply chain demanding alignment with their principles but are also keen to share and pass on best practice. All this is likely to encourage overall better industry standards and is good business.

AFLAC:

Strategic Sourcing and Procurement department expects the same high standards that are applied internally from its suppliers but also runs a Supplier Diversity Summit to share best practice.

AJG:

Expects alliance members, strategic vendors, suppliers and partners/agents to achieve similar standards of behaviour as set out in their Global Standards of Business Conduct.

SR:

Sustainability has been identified as a key business, environmental and risk issue. SR reviews “materiality” in terms of what sustainable progress means in the context of its business and the individual, i.e. what is “material” to achieving this goal.”

This focus on sustainable business drives the business imperatives of the WME companies naturally leading to a closer alignment between business and a general sense of “doing the right thing”, i.e. doing the right thing is sound business.

The companies also have real pride in their corporate citizenship. Employees in all the companies are encouraged to volunteer and support local communities and charities.

AFLAC:

Raised \$87 m for child cancer since 1995.

AJG:

The Foundation matched \$8 m in contributions from employees over a 6 year period to charitable causes.

These aspects are not just nice things to do. There is a keen awareness of building reputation and loyalty over time. These activities generate the right kind of stories and the more genuine and committed the activities are, the more believable, the more trustworthy, the company becomes. Having a stock of trust and belief puts the company in a better position to withstand wobbles in performance and reputation, with loyal followers more forgiving. It is a way of accounting for, and setting provisioning, for the future.

Your organisational story

The cultural web emphasises the power of change through symbolic action. This can help reshape beliefs and expectations but the change must be meaningful to individuals and the meaning must be apparent in the day-to-day experience of the individuals. Could the following be what your people talk about?

“

Our CEO has set up and is leading an academy for ethical leadership with strategic partners.”

[A symbol of tempo from the top].

“

We have a selection process where applicants are expected to question potential colleagues about their jobs.”

[Signalling challenge and questioning is expected within the organisational culture].

“

Our senior managers visit our call centres, branches and regional offices regularly; they're always wanting to talk to staff and customers to find out how we can improve.”

[Signalling challenge and questioning is expected within the organisational culture].

“

When I am asked what I do for a living, I always tell them I help people get back on their feet again.”

[Reflecting an understanding of the real purpose of the business].

“

We're in the top 20 of the “Best Companies to Work For” for the third consecutive year, we want to get into the top 10.”

[Symbolising the confidence of the company to benchmark against the best].

“

I won this year's Best Idea for Performance award for my new process for claims settlement to improve customer loyalty.”

[Symbolising continuous improvement is rewarded].

“

I've just attended an unconscious bias workshop with my team. It created quite a discussion about how we select and recruit team members.”

[Living and believing diversity and inclusion in the routine training].

“

We've had a lengthy debate about whether our marketing plan is ethical using the decision making framework within our Code of Conduct. It worked really well and it helped us make changes to our decisions which now fit well with our values.”

[Living and believing the Code of Conduct].

“

We've had a great family fun run raising funds for our local hospice, it's our charity of the year, everything we raise gets matched by the company Foundation and the hospice and families are delighted.”

[Living and believing corporate citizenship].

Areas to reflect on:

- What stories do you tell your family and friends about your organisation? Do they give them reasons to trust your organisation?
- What stories do you tell customers and other stakeholders about your organisation? Do they give them reasons to trust your organisation?
- What stories would you like to hear about your organisation as a customer, employee or supplier?
- What can you do to change the story?

The stories of the world's most ethical companies have shown that it is possible to reconcile responsibility to a broader bank of stakeholders with strong financial performance. However, this position has not happened overnight. It has required a huge amount of energy, effort, commitment and stewardship and, even with a seemingly self-sustaining culture, success can easily slip away. This is why the vision, values and vitality of the leadership team are so critical. They not only have to set the tone (vision, values, code of conduct, policies and practices, etc) but also have to set and be the tempo in driving direction and change. Make no mistake, as the most powerful symbols of change, it is in the actions and behaviours of the individuals in the top team, separately and together, that will give stakeholders the reasons to believe a different story.

The cultural web is only a model, a framework to aid understanding, but through the routines/rituals, symbols and stories of the WME companies it has helped to illustrate that creating an ethical culture is so much more than compensation restructuring, written codes of conduct and tick-box compliance. If UK companies in the insurance sector want to create their own competitive advantage through ethical cultures and behaviours, generating new and better stories over time, then they need to consider how they might engender the **living and believing** aspects highlighted in this paper for their own businesses. Ideally soon and with tempo.

Appendix A “Ethical Culture: Building a Culture of Integrity” CII Ethical Culture Series

- Setting the right tone from the top
- Developing and embedding an effective value statement
- Promoting an open culture within the organisation
- Developing a whistleblowing procedure
- Providing impartial, confidential advice on ethical issues for employees
- Developing and embedding an organisational code of conduct
- Training staff in ethics
- Rewarding ethical behaviour
- Ensuring disciplinary procedures are effective
- Monitoring organisational integrity, and the effectiveness of techniques.

Appendix B

The Northumbrian Water Ltd (NWL) Story

A new CEO was appointed five years ago. After a period of internal consultation and research, the CEO and her team realised that the existing vision and values statements were not embedded in the organisation. The vision and values were not being **lived and believed**. The CEO, working closely with the Executive team, pulled together a new vision and overhauled the values with a new supportive strategy. The values were:

Value	Living and believing: true employee stories
Customer focused	“I always make sure we call back a customer even if I can’t close down the contact, as they should never have to chase us.”
Results driven	“I want to do my bit to meet my personal goals and if everyone else does we will achieve excellent results.”
Ethical	“I am proud that we have a reputation for doing the right thing and helping our communities and the environment.”
Creative	“Just changing one simple way of doing something can make life so much easier and save money.”
One team	“Where I work, our people pull together to make sure the job gets done.”

Implementation

NWL adopted a very practical approach to implementation by setting up small project teams within the broad Executive team to work together. This meant the change was driven by a wider employee base and led to better engagement and employee buy-in.

Internal communication

A major part of the implementation was an emphasis on internal communications ensuring that the vision and values were visible and reinforced. “Our Vision, Our Values, Our Way” was launched to all employees through face-to-face roadshows explaining the NWL direction. This was supported and reinforced by a document spelling out clearly, for each value, what behaviours were expected.



constructively challenge and actively contribute ideas to improve current methods and processes.

NWL

Measurement

Each business priority has a series of comprehensive measures supporting it. The table below samples a few of these.

Business priority	Target
Customer	Customer satisfaction score increased to 8.5%
Competitiveness	Capital efficiency 6%
People	Employee satisfaction index 81%
Environment	Meet water efficiency targets
Communities	50% of people involved in community action

Another key support in creating the performance culture is the 360 degree appraisal now an everyday part of organisation routine. This contains 50 questions with a section about how the individual is living the required values and the behaviours. For example peers are asked “does an individual work in an ethical way?” The individual has to score on “how ethical you are?” compared to “how ethical are you perceived to be?” The responses are then discussed with the line manager to improve performance.

Challenge

A balanced scorecard supports the “Our Vision, Our Values, Our Way” framework and the regular use of “one team” is now firmly accepted within the organisational language allowing employees to challenge openly, constructively and confidently where there may be conflicts with the values.



that’s not very one team.

NWL

“One team” has become a symbol and is now entrenched in the culture.

Internal reward programme

ViVa (vision and values) is the name of the NWL's highly visible internal reward programme with awards in five categories. Monthly winners are appointed with the year's best entries attending a big, annual award ceremony with an overall winner. ViVa is used to underpin employees' engagement helping the organisation to reinforce its values into everyday language. This is an example of the routine/ritual aspects of the cultural web.

External awards/benchmarking

NWL has received a significant number of external awards including topping the Consumer Council on Water list, the Queen's Award for Enterprise (Sustainable Development), Business in the Community, Sunday Times Best Companies to work for and one of the Most Ethical Companies. These all point to the company's desire to prove itself, show excellence and continuous improvement. From a cultural web perspective, the awards have become symbols and **reasons to believe** the values, as well as stories to tell internally and externally building trust and reputation.

Summary

These elements of the cultural web, taken together create a powerful culture which is difficult to copy quickly and can create sustainable competitive advantage.

**Thanks to Director of Corporate Affairs, NWL for this interview.
Supporting material was taken from the website
www.nwl.co.uk.**

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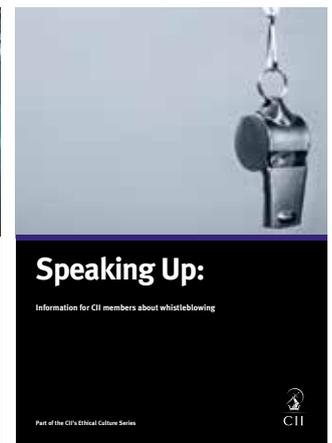
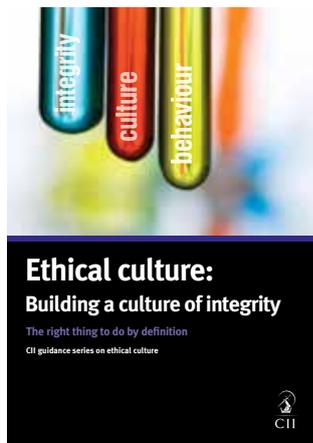
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Email: daniel.pedley@cii.co.uk**Other papers in the Ethical Culture series****Building a culture of integrity**

The first paper in the CII's ethical guidance series proposes a ten-part framework for promoting integrity, which is built around the central principles of setting the right tone, supporting ethical decision-making, promoting openness and managing incentives. <http://bit.ly/14T1eRj>

A practical guide for small firms

Ethical culture: a practical guide for small firms offers guidance on how to shape culture within your firm. It will help you to understand how you can steer your firm's ethical culture in a more productive and trustworthy direction.

<http://bit.ly/17j7Qo8>

Securing an ethical culture in a regulated environment

Ethical culture: Securing an ethical culture in a regulated environment considers how financial services regulation impacts on the development of an ethical culture and highlights pointers from within the regulation which can assist in securing ethical behaviour. <http://bit.ly/1i0FPyv>

Speaking up: information for CII members about whistleblowing

This paper explains why whistleblowing matters and provides important information about obligations, options and factors to weigh up. <http://bit.ly/1rSHZ3b>

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